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A Primer of Good

Scratching your head over green business, CSR and cause marketing? Perry Goldschein navigates the terminology.

Wal-Mart recently announced a strategy to lessen its environmental impact. GE is focusing on "Ecomagination." And McDonald's has begun serving organic, fair-trade coffee in hundreds of its New England locations. How the world has changed.

In just a few years, waves of companies, including many of the world's biggest, have begun realizing the benefit of integrating values and ethics with their drive for profit. Not only are environmental and social responsibility no longer on the fringes of the business world, they are now among its hottest trends.

Smart leaders realize, of course, that good works go hand in hand with profit. A recent Golin/Harris International survey shows that 70 percent of Americans would start or increase the business they do with a company based on its corporate citizenship record. Conversely, more than half would stop doing business with companies if their corporate citizenship records were poor.

So, with companies pushing hard into green business, corporate social responsibility (CSR) and cause marketing, we thought it might be useful to stop and explain the differences.

Green Biz

Frey Vineyards is America's oldest and largest purely organic vineyard. The winery helped lead the effort that made Mendocino County, Calif., the first GMO-free zone (genetically modified organisms) in the U.S. And these days, Frey is installing solar panels that will generate 99 percent of its energy needs by the end of this year.

Being a family-owned business has allowed the 12 siblings and spouses who own the winery to more actively follow their passion for land preservation and sustainability. Frey has acquired – and plans to preserve – hundreds of additional acres of wild land that would have otherwise gone to loggers, beyond the original 20 it owned in 1980, says Katrina Frey, vice president.

The company is a solid example of a green business, one that attempts to operate, produce and market in ways that solve, rather than cause, environmental and social problems. Frey is far from the only successful green business – Coop America alone now counts around 2,000 members in its green-business network, including such brands as Aveda, Patagonia, Seventh Generation and Stonyfield Farm.

Interestingly, Frey Vineyards' sales paralleled those of the rest of California's wine industry until about 2001; since then, sales have more closely resembled the organic food industry, which has rapidly outpaced overall wine sales. Some of the demand, clearly, is connected to the growing demand for organic products.

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CSR

While green businesses certainly practice corporate social responsibility, CSR also involves larger companies that can't be considered green.

General Electric unveiled its prancing elephant last May, dancing for joy at how the company is "in step with nature." Since that time, GE has vowed to reduce emissions, work with green organizations, invest more in technologies that help businesses meet environmental standards and issue annual progress reports. Currently, the company is marketing 17 products, from aircraft engines to water treatment technologies, as part of its Ecomagination line.

CSR starts with the premise that the definition of stakeholders goes well beyond investors to include customers, employees and the environment. Many larger companies have begun building sustainability or social responsibility principles into their policies and operations, as well as trying to be more accountable and transparent. In fact, many large companies now issue a voluntary CSR report alongside their standard annual reports.

Often the trigger is crisis, or at least pressure. "Companies confronted with boycott threats, as Nike was in the 1990s, or with the threat of high-profile lawsuits, as McDonald's is over obesity concerns, may see CSR as a strategy for presenting a friendlier face to the public," Deborah Doane, chair of the Corporate Responsibility Coalition, told the *Stanford Social Innovation Review*.

That said, even reactive CSR initiatives can trigger changes in basic practices inside some companies. Nike, for instance, is now the world's largest buyer of organic cotton and has emerged as a leader in improving labor standards in third-world factories.

Cause Marketing

If being a green business or engaging in formal CSR is too much for a company, or if green and CSR businesses want to expand their ethics efforts, there's always cause marketing.

With cause marketing, a company partners with a nonprofit to co-promote a brand, cause and/or product for mutual benefit. Nonprofit groups make powerful brand evangelists because they're passionate about their cause. Many savvy companies harness this marketing potential to boost sales while providing social or environmental benefits through support of partnering nonprofits.

When the National Wildlife Federation (NWF) partnered with Green Mountain Coffee Roasters to promote organic, fair-trade coffee, the NWF promoted the coffee in eight places. Green Mountain was featured on the NWF website (describing the conservation benefits of organic coffee), e-newsletter, printed materials to state affiliates and at its annual meeting. Conversely, Green Mountain featured its "NWF coffees" on its site, packaging and catalog.

Green Mountain, which donates 5 percent of its net income to

nonprofits apart from its cause marketing efforts, now also partners with nonprofit Heifer International. Green Mountain introduced a fair-trade organic coffee, "Heifer Hope Blend," and gives a donation for every bag purchased to Heifer. The money is used to support Heifer's efforts to promote self-reliance and improve the lives of small-scale family coffee farmers in Guatemala.

"It's a win-win," says Ken Crites, Green Mountain's director of consumer direct. "The nonprofits discover an incremental way to raise funds. We get to spread the word about fair trade and organic coffees, our employees are motivated to work with organizations that are helping the world and coffee farmers get to sell more coffee at a fair price."

Not surprisingly, companies are finding cause marketing a useful tool and easy point of entry. In 2005, cause marketing surpassed \$1 billion for the first time, according to the Cause Marketing Forum. Now, "corporate sponsorship of cause-related programs is forecast to grow 20 percent in 2006," says Forum President David Hessekiel, whose New York company teaches companies and nonprofits to work together.

Warning: Greenwashing Won't Clean

Some automakers are castigated by environmentalists for making gas guzzlers while they run ads touting hybrid and flexible-fuel cars. "Too often, it's just greenwash," Michael Brune, executive director for the Rainforest Action Network, told the *New York Times* recently. "Sure, some companies can justifiably advertise their good actions. But too many are seeking maximum accolades for minimum change."

OK, so environmentalists are strict, but will many consumers notice? "Consumers have become incredibly adept at evaluating the sincerity of a company's (CSR) efforts," Fred Cook, CEO of Golin/Harris, said in its recent survey. Moreover, a number of studies have identified a core of green consumers, representing as much as a third of the public, who are especially good "BS detectors," as Yale sociologist and author Paul Ray puts it.

To sidestep those problems, Toyota, for instance, eliminates ambiguous jargon. For years the automaker has discouraged the use of the word "green" in communications relating to its products, hybrids or otherwise.

Instead, the campaign to brand Toyota's "hybrid synergy drive" in the Prius and other vehicles uses claims like "miles and miles and miles per gallon" and "less gas in, less gasses out."

Perry Goldschein is founder and managing director of SRB Marketing Inc., which helps leading-edge organizations reach values-based consumers online. Green Mountain Coffee Roasters and Frey Vineyards are clients of the firm. His company's website and blog are at www.SRBMarketing.com.